

**8/1/77 [3]**

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THE WHITE HOUSE  
WASHINGTON  
August 1, 1977

Stu Eizenstat

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

RE: CALIFANO MEMO ON WELFARE  
REFORM.  
NOTE PAGE 5.

THE WHITE HOUSE  
WASHINGTON

*return original to STM*

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION  
FYI

	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	LANCE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to  
Carp/Huron within  
48 hours; due to  
Staff Secretary  
next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE  
WASHINGTON

July 26, 1977

Stu  
J

Mr. President:

Attached is Secretary Califano's memorandum on welfare reform which we received late last night. Your meeting with Secretaries Califano and Marshall to discuss the proposal is scheduled for Thursday at 2:00.

Because of the shortness of time, I am submitting Secretary Califano's memorandum now. Although the memo is lengthy, the Secretary was anxious for you to receive it in time to review the critical parts. You may wish to wait for our summary which I will submit (together with my own comments and Charlie Schultze's) no later than tomorrow.

Note Secretary Califano's recommendation that you focus your reading on the earned income tax credit (pp. 8-9, 54-59); State supplements (pp. 9-12, 25-26); and options for modifying the basic proposal at higher cost (pp. 33-62).

Essentially, I think the Departments of HEW and Labor have done well to produce this comprehensive proposal with the time and budget constraints imposed. However, I expect this proposal faces the same kind of difficult reception that characterized early efforts at welfare reform.

Stu

Stu Eizenstat

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for Preservation Purposes**



To create a strong work incentive for those required to work, benefits are not reduced at all for the first \$3800 of earnings and are therefore reduced by 50 cents for each dollar earned until the breakeven of \$8400.

For a complete display of the benefit structure, see Tab A.

Within this basic Federal benefit structure, we are proposing several changes from our tentative proposal that are noteworthy:

- Reduction of Basic Benefit

We have reduced the proposed Federal grant throughout the benefit structure by ten percent from the May 19 proposal. For example, the proposed basic benefit for a family of four not required to work would be reduced from \$4,700 to \$4,200. The main purpose of this reduction is to provide additional funds for subsidization of state supplements (and thus additional fiscal relief) in the high-benefit states. This 10% cut in the basic Federal benefit also responds to concern that the Federal benefit level, as originally proposed, was undesirably high in some states which currently have low benefit levels. Yet, it is important to note that even the reduced Federal benefit level "dominates" current combined Federal-state welfare expenditures in most Southern states.\* The proposed reduction also has the effect of lowering the "breakeven" point for the Federal benefit -- the point at which recipients cease to be eligible for benefits -- and thus, as compared to the May 19 proposal, the new benefit structure lowers the number of individuals on welfare.\*\*

*Further reduction?*

\* Alabama, Arizona, Arkansas, Florida, Georgia, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, and Texas.

\*\* We concluded that regional cost-of-living differentials and intra-regional urban/rural differentials in the basic Federal benefit were both impractical and undesirable. The type of BLS cost-of-living index that would be necessary to implement regional differentiation would be expensive to prepare and would not be available for at least four years. The differences in cost-of-living, moreover, simply do not coincide in any meaningful way with current differences in state benefit levels, which reflect not only cost-of-living differences, but historic differences in public policy among the states. Thus, regional cost of living differentiation would not be nearly as effective as varying levels of Federal subsidization of state supplementation in providing essential fiscal relief to the states.



THE WHITE HOUSE

WASHINGTON

August 1, 1977

EYES ONLY

The Vice President  
Midge Costanza  
Stu Eizenstat  
Hamilton Jordan  
Bob Lipshutz  
Frank Moore  
Jody Powell  
Jack Watson

Re: Cabinet Summaries

The attached summaries were returned in  
the President's outbox and are forwarded to  
you for your personal information.

Rick Hutcheson

*bcc Landon Butler*

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

*C*

MEMORANDUM TO: THE PRESIDENT

FROM:

Jane Frank *Jane*

July 29, 1977

RE:

Summaries for Week of July 25 - 29, 1977;  
Miscellaneous Items

I am transmitting summaries received from the following:

Agriculture	Interior
Commerce	Justice
CEA	Labor
Defense	STR
GSA	Transportation
HEW	Treasury
HUD	UN
CEQ	

Also attached are:

-- A cover memorandum and status report from Doug Costle and heads of FDA, OSHA and Consumer Product Safety Commission on their innovative project to coordinate regulations of hazardous and toxic substances. (I suggest that Doug be asked to describe this project at the August 1 Cabinet meeting.

-- A summary from Doug Costle of his recent trip to the Soviet Union.

*To  
only  
under  
with  
back-up  
8/2*

CC: The Vice President

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for Preservation Purposes**



THE WHITE HOUSE  
WASHINGTON

August 1, 1977

Secretary Kreps -

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

Re: Cargo Preference  
1978 Model Automobile  
Export Policy Toward South Africa



THE WHITE HOUSE  
WASHINGTON

cc (Kwp)

THE SECRETARY OF COMMERCE  
WASHINGTON, D.C. 20230

cc To Juanita  
J

THE PRESIDENT HAS SEEN.

July 29, 1977

1977 JULY 29 5 00 PM

REPORT TO THE PRESIDENT

Cargo Preference

As you know, Assistant Secretary Robert Blackwell has encountered some difficulties in testifying in behalf of the Administration's position with respect to cargo preference legislation. Representative McCloskey has charged Mr. Blackwell with a conflict of interest and has accused the Administration of making the decision on political grounds. He has also sent Mr. Blackwell a series of questions on the decision, for reply by c.o.b. today. We will make every effort to be forthcoming to Mr. McCloskey's inquiries, emphasizing that the Administration's efforts in this case were aimed at reducing the cost of maritime legislation proposed by Congress and developing the most cost-effective way to strengthen the maritime industry. As well as I can determine, Mr. Blackwell's role in this matter has been above reproach.

Respect  
executive  
privilege

Status of EDA Assistance to New York City

EDA has expanded its commitment to help New York City recover from the recent blackout. In addition to last week's initial \$1 million technical assistance grant, which included aid for long-term strategy development, EDA is processing a \$2.1 million grant for demolition of over 100 damaged buildings. The condition of these buildings not only presents a health and safety problem, but deters shoppers from patronizing adjacent businesses, thereby contributing to further economic decline in the affected areas. EDA is also considering a grant for approximately \$2 million to replace damaged public facilities. I expect approval of these two additional grants in the very near future.

1978 Model Automobile Production

I am very pleased that you have urged prompt Congressional action on amendments to the Clean Air Act (CAA). Uncertainty about emission requirements may well curtail 1978 auto production and already clouds GNP growth projections for the third and fourth quarter. However, since future auto emission requirements are enmeshed with numerous other unresolved issues, there is still a serious possibility that legislation on 1978 emission requirements will be delayed. Therefore, I believe every effort should be made to gain passage of 1978 auto emission requirements as soon as possible, even to the extent of deferring Congressional action on the other issues, including post-1978 emission standards.

710

#### Mayors Propose Commerce Urban Strategy

A delegation of local chief executives, together with National League of Cities and U.S. Conference of Mayors staff persons, met with me and several key officials of the Department on Thursday to consider our 1979 budget in terms of urban needs. The Mayors were well prepared and made a number of useful and specific suggestions. Their first priority was increased funding of EDA, with particular attention to targeting funds to cities with the greatest need. They also strongly believe in the need to invest more in local capacity building to strengthen their ability to plan and manage economic development efforts. Going beyond EDA, the Mayors asked us to build on our "unique relationship to the private sector" in helping them attract and expand industries. The Department is developing policies that encourage the full participation of the private sector in economic development.

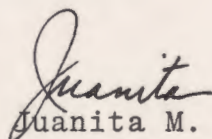
#### Export Policy Toward South Africa

During hearings over the past two weeks by the House Subcommittee on Africa, Congressman Diggs emphasized his concern over "loopholes" in the current U.S. arms embargo of South Africa that allow the sale of civilian type goods which might have military or police type applications. DoC testimony emphasized that because of Administration concerns we had already strengthened certain aspects of this embargo program. In addition, the State Department witness for the hearings indicated that current policy on this matter was being reviewed by the Administration at the NSC level and a new policy statement will be issued shortly. I believe this review is important because it is related to your concerns for human rights. You can expect Congressman Diggs and others to scrutinize the Administration's new policy statement very closely.

*Keep  
Diggs  
informed*

#### Minority Business Enterprise

Thursday's meeting between Senate and House staff representatives concerned with minorities-related legislation and Under Secretary Harman, OMBE Director Randy Blackwell, and Bunny Mitchell was quite successful. Several Congressional members have said that this was the first time that such a group had ever been invited by any Administration to present their views on critical issues affecting minorities.

  
Juanita M. Kreps



THE WHITE HOUSE  
WASHINGTON

August 1, 1977

Charlie Schultze -

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

Re: Welfare Reform  
Farm Bill

THE WHITE HOUSE  
WASHINGTON

A handwritten signature, possibly reading "Schulke", written in dark ink. The signature is stylized with loops and a long horizontal stroke.

cc Schulke

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

cc To Charlie  
J

THE PRESIDENT HAS SEEN.

1977 JUL 29 PM 7  
July 29, 1977

MEMORANDUM TO THE PRESIDENT

FROM: Charlie Schultze *CS*

SUBJECT: CEA Weekly Report

*Too late*

Welfare Reform. A large proportion of the staff's time this week was devoted to preparing me and Bill Nordhaus for our meeting with you Thursday on welfare reform. We will provide Stu with estimates of the budgetary situation in 1981, under Strategy II, for your background use in making final decision.

*Give me  
in d.v. dual  
options as  
early as  
poss. 6/2*

Airline Reform. The letter that you sent to members of the Senate Commerce Committee recommending improvements in the airline regulatory reform bill was drafted with the assistance of CEA. My staff is working closely with the Domestic Policy Staff on developing and presenting to the Hill the Administration position on provisions of this reform legislation.

Motor Carrier Reform. The Department of Transportation has prepared for you an options paper on reform of motor carrier regulations. CEA is working with other agencies to analyze this paper and develop our response to the issues raised by DOT.

Farm Bill. I am concerned with the shape of the farm legislation that emerges from the House, in particular with provisions such as the de la Garza sugar amendment that carry potentially enormous consumer costs. I believe that a veto should be seriously considered if the Conference Committee does not eliminate the most objectionable provisions.

*it  
will*



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Testimony. I appeared on Thursday before a subcommittee of the House Public Works Committee to testify on the use of economic incentives in the control of water pollution.

Oil Imports. We are examining the reasons for the very rapid increase in oil imports, (7.3 mbd in second quarter 1976 to 9.8 mbd in second quarter 1977) and the associated buildup in private inventories of petroleum.

On-going projects. CEA staff are working with a Commerce Department-led task force to prepare a final adjustment assistance program proposal for you. We are continuing our study of the level of unutilized productive capacity in the economy, and we are continuing work begun by the previous Council examining the level of "potential" output and employment in the economy. Work on tax reform continues in anticipation of our meeting with you next week.

THE WHITE HOUSE  
WASHINGTON

August 1, 1977

Secretary Andrus -

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

Re: Judge Gunter's offer to the  
Maine Indians  
Public Works Bill

OFFICIAL WHITE HOUSE PHOTOGRAPH

THE WHITE HOUSE  
WASHINGTON

cc Andrews





THE PRESIDENT HAS SEEN.

THE SECRETARY OF THE INTERIOR  
WASHINGTON

*cc To Cecil  
J*

1977 JUL 29 PM 5:20  
July 29, 1977

MEMORANDUM TO THE PRESIDENT

From: The Secretary Of The Interior

Subject: Major Topics for the Week of July 25

My Alaska trip was enlightening as it pertains to the Administration's position on the "Alaska National Interest Lands Conservation Act." This is also known as "D-2 Land Selections" of the "Alaska Native Claims Settlement Act of 1971." There is no way to satisfy all parties, but after meeting with the Governor, Congressional Representatives, Native leaders, business leaders, environmentalists, public officials and regional federal employees I do believe there is equity in a common sense answer. I will have this finalized by early September for your consideration or I can take it to Congress.

I am aware of the reaction to Judge Gunter's offer to the Maine Indians and, although I have plenty to do without additional problems, I am willing to try and negotiate a resolution of the situation. I believe this can be handled without causing the Judge or the Indians any embarrassment. If it is your desire, please advise.

*Only if  
Gunter  
needs help*

There is the possibility that on or about the anniversary date of the Hiroshima bombing (August 6 to 9) there may be large scale demonstrations by anti-nuclear powerplant people such as the one in New Hampshire. We have two miles of park boundaries in common with the Bailly Plant site. We are prepared, but other areas may not be.

I continue to hear rumors that a firm compromise has been achieved on the Public Works Bill. If so, I would like to know because I am still hinting veto and might well pull my neck back in a wee bit.

*yes*

The OCS Bill has cleared another hurdle. Coupled with the Strip Mine Bill this is quite an achievement.

*Cecil D. Andrus*  
CECIL D. ANDRUS

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THE WHITE HOUSE  
WASHINGTON

August 1, 1977

Hamilton Jordan -

Please read this.

Rick Hutcheson

Re: Major Departmental Activities  
at Labor Dept.

THE WHITE HOUSE  
WASHINGTON

Note to HS:  
read this



THE PRESIDENT HAS SEEN.  
U. S. DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

"FYI"

July 29, 1977

JUL 29 1977

①  
/

MEMORANDUM FOR THE PRESIDENT

FROM: RAY MARSHALL *R.M.*

SUBJECT: MAJOR DEPARTMENTAL ACTIVITIES, July 23-29

LEGISLATION

Youth Bill

Your formal signing of the Youth Bill has been scheduled for next Friday, August 5, in the White House Rose Garden. Approximately 100 guests have been invited, including the relevant Members of Congress, labor and business leaders, and a few representative teenagers.

Transfer of Mine Enforcement and Safety Administration (MESA)

Both the House and Senate have now passed legislation authorizing the transfer of MESA from the Interior to the Labor Department. We expect a House-Senate conference shortly after Labor Day. Labor Department staff has begun working with Interior officials to arrange for an orderly transfer of MESA.

ECONOMIC STIMULUS PACKAGE--CETA FRAUD AND ABUSE

Here is an update on our investigation of charges of political hiring in Chicago's public service jobs program. As you know, our investigators have found evidence indicating that letters of referral from ward leaders or city alderman were required to get CETA jobs. We have asked the city government to turn over their files containing these letters. They have refused. Today, Under Secretary Robert Brown will again request the files. If they again refuse, we will give them a written request stating our intention to subpoena the records. The whole situation should put Mayor Bilandic in a very difficult position.

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assistance. We have cautioned HEW that any assistance will have to be carefully weighed in order not to interfere with the collective bargaining process. We have put HEW in touch with the Federal Mediation and Conciliation Service for guidance on this matter.

#### Steelworkers

Steelworkers in Minnesota and Michigan will be free to strike iron-ore mining operations on August 1st if local issues are not resolved by then.

#### Telephone Workers

700,000 telephone workers, represented by three unions, have voted to call a nationwide strike against the Bell System if no agreement on a new contract is reached by August 6. Negotiations are continuing.

#### Johnstown, Pennsylvania

To assist this area, \$1.5 million in disaster unemployment assistance will be available next week and yesterday I approved an additional \$1 million in CETA funds for additional jobs.



We are also continuing our investigation of alleged CETA fraud and abuse in Gary, Indiana. The Gary newspaper has already learned of the investigation and has written two stories on the subject. Mayor Hatcher has expressed his concern about this matter to the Labor Department, particularly since his public support seems to be affected. We plan to continue the investigation.

Labor Department investigators from Washington will also be sent into Mississippi next week. Governor Finch seems to have the same problems as Mayors Bilandic and Hatcher.

#### LABOR MANAGEMENT SERVICES ADMINISTRATION-TEAMSTERS

We have recently begun our investigation of the Teamsters' Central States Health and Welfare Fund. (The Health and Welfare Fund is technically separate from the Central States Pension Fund which has been the focus of a two-year investigation. However, six of the ten trustees of the Health and Welfare Fund serve on both boards.) As we began the investigation, we learned that the Health and Welfare Fund was trying to extend a multi-million dollar insurance contract with Allen Dorfman who had been sent to prison in 1972 for arranging a kick-back in exchange for a Fund loan. We immediately informed the Fund's trustees that an investigation of Dorfman's contract would be our first priority. This statement seems to have caused the trustees to reconsider their action. We are interviewing the trustees about the process that led to Dorfman's contract being extended. We are also questioning them about whether other Teamster officials-such as president Frank Fitzsimmons-pressured them to extend Dorfman's contract.

#### United Mine Workers (UMW)

Mine worker president Arnold Miller has asked employer representatives to immediately open coal contract negotiations. One immediate area of concern is the problem of reduced payments from the UMW's Health and Retirement Fund. The reduction in coverage by the Fund has triggered unrest among the miners. UMW clinics that depend on Fund payments have had to reduce services and are threatening to close. Clinic administrators have contracted HEW about possible



THE WHITE HOUSE  
WASHINGTON

August 1, 1977

Secretary Califano -

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

Re: Progress Report on Project  
Integrity

THE WHITE HOUSE  
WASHINGTON

*cc California*



THE PRESIDENT HAS SEEN.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

July 29, 1977

*cc Joe  
Great!  
J*

MEMORANDUM TO THE PRESIDENT

SUBJECT: Progress Report on Project Integrity

On June 9, 1977, we announced this project. It is the first in a series of efforts to ferret out fraud and abuse in all our health care programs, and you have asked me for an update on our progress.

In this initial phase, the Office of the Inspector General examined Medicaid payments made last year to 275,000 physicians and pharmacists in 49 States, the District of Columbia and Puerto Rico (Puerto Rico is not a Medicaid State).

By using computer screens, we exposed the most apparent cases of excessive services and prescriptions, and selected for more intensive analysis 50 cases in each jurisdiction. As of July 28, 1977, we had checked back to the original records on these selected cases, and identified 1,756 providers (937 physicians and 819 pharmacists) on whom field investigations are justified.

This next step will be conducted jointly by HEW and State staffs, supplemented by U. S. Attorneys and the FBI where criminal potential appears to exist.

It will be approximately three months before we will begin to receive feedback on findings and actions, and the project will continue for about one year. The Inspector General will monitor each case to completion, working with the States to advise them on the appropriate measures to discipline abusers, to seek recovery where feasible, and to support prosecution (civil and criminal) where appropriate. This type of effort has no precedent on a national scale, and it is difficult at this time to predict the numbers and types of actions which will result.

There is no question, however, of Project Integrity's significance:

- As a result of our invitation to State Agencies to participate in Project Integrity, we estimate that up to 350 State specialists will participate in these investigations.

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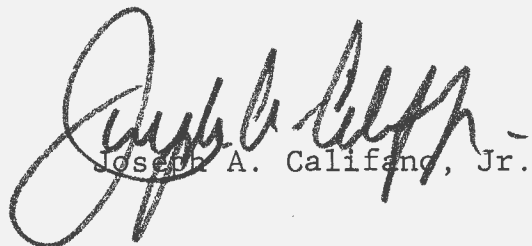
- Attorney General Bell advised me on July 21, 1977, that he has written the U. S. Attorneys requesting each to designate a project coordinator for Project Integrity to work with FBI and State officials on appropriate investigations of cases involving potential criminal fraud.
- Last Monday, July 25, the newly designated Deputy Inspector General, Mr. Charles Ruff, with the assistance of the Justice Department, conducted a one-day seminar for the HEW Regional Project Integrity Teams to be certain that they all are acquainted with the ground rules to be observed in investigating cases where criminal prosecution might result.

The kind of problems we are ferreting out may be illustrated by our Atlanta Region which has begun planning investigations of the first 100 cases.

In the pharmacist area, these cases include apparent excessive prescriptions of controlled drugs such as valium, darvon compounds, librium, phenobarbital and others. The computer printouts indicated unreasonable amounts of these drugs being dispensed to individual patients. We are now at the stage of ascertaining by field investigation whether this may be the result of duplicate billings, billings for prescriptions not filled, or excessive dispensing of drugs, some of which have street value.

Relative to the physicians under review, early indications are that some may have billed for services not rendered, submitted duplicate billings, or provided unnecessary services to inflate billings.

We will periodically advise you of results as these investigations are completed and corrective actions are taken.

  
Joseph A. Califano, Jr.

THE WHITE HOUSE  
WASHINGTON

July 30, 1977

The Vice President  
Stu Eizenstat  
Jody Powell  
Jack Watson  
Peter Bourne

The attached is for your  
information. The memo was prepared  
in response to Presidential request.

Rick Hutcheson

RE: PROGRESS REPORT ON PROJECT INTEGRITY

THE WHITE HOUSE  
WASHINGTON

August 1, 1977

Secretary Adams -

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

Re: Energy Legislation/Gasoline Tax  
Deepwater Ports  
Overton Park





THE PRESIDENT HAS SEEN.  
THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

*cc Brock  
J*

July 29, 1977 JUL 29 PM 2 11

MEMORANDUM FOR THE PRESIDENT

THROUGH: Jack Watson

SUBJECT: DOT Issues for Presidential Review

*Bob Adams*

Energy Legislation/Gasoline Tax

ACTION

Pursuant to your direction, I met with the Speaker, the Ad Hoc Energy Committee Chairman Ashley, and Representatives Rostenkowski, Johnson and Howard on Tuesday to determine what the gasoline tax provisions of your energy legislation would be. I urged 1¢ be returned to the States and 3¢ be placed in a fund for later determination.

Last night, the House leadership agreed to move with a 5¢ gasoline tax; 2½¢ for public transportation and 2½¢ for Title 23 highway programs. The details of these programs will be determined by the bills passed next year. The 5¢ tax amendment will be offered on the House floor next week during the debate on the Energy Bill. I have kept Jim Schlesinger informed and am working closely with Frank Moore to develop maximum strength in the transportation community and the Governors, mayors, labor, etc. to support the 5¢ tax. This will be very difficult to pass because there is substantial opposition to a gasoline tax on the Hill. Clear support for the 5¢ tax from the Administration could be a critical factor. Unless you have further instructions, I intend to stress that the Administration does in fact favor the House leadership position.

☐ Proceed

☐ See me for further instructions

*I prefer more flexible use of money*

Deepwater Ports

UPDATE

Last week, I approved documents for the LOOP-sponsored deepwater port off the coast of Louisiana. The LOOP board is meeting today, Friday, and over the weekend to decide whether to go forward with the project. We understand the outstanding issues

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concern arrangements among the oil companies and not problems with the federal license conditions. We will advise you of LOOP's decision.

The Seadock deepwater port off the coast of Texas appears far more precarious. I met with Senator Bentsen, Representative Gammage, and officials of the companies associated with Seadock this week in response to Senator Bentsen's requests. Exxon, the majority stockholder, is now opposed to going forward with the Seadock proposal. It appears from their statements at a House Committee on Merchant Marine & Fisheries meeting last week that the original license conditions requiring open entry to the port and availability of competition are their problems and not the negotiation over details, which we have been conducting with their lawyers. Witnesses from the Department of Transportation reported fully on negotiations that have taken place. Some Members thought the Coleman license went too far in imposing antitrust conditions. Others, including Congressman Jack Brooks, favored a public port.

Dr. Schlesinger and I also met with Senator Bentsen and Representative Gammage and a group of Texas mayors at the White House on Wednesday. Despite our efforts to explain the government's concerns, the mayors would simply like to see the project go forward. They view any federal license as an unwarranted intrusion in corporate matters.

*hold firm*

#### Locks & Dam 26/Waterway User Charges

#### UPDATE

On Tuesday, July 26, the House Ways and Means Committee reported out the Locks & Dam 26/Waterway User Fee Bill (H.R. 8309). This version includes a new Locks & Dam authorization and a four cents per gallon fuel tax for inland waterway commercial vessels (barges) in October 1979 rising to six per gallon in October 1981. The central concept of a "user fee" is maintained, and the cost recovery level established in this bill basically meets the schedule of recovery for the first years but will not meet the 10-year schedule of the operational, maintenance, and construction costs we hoped to achieve. We currently anticipate quick passage in the House; thus, the cost recovery issue then will shift back to the Senate where actions are already under way to amend the user fee system contained in the House version.

#### Overton Park

#### ACTION

Tennessee Governor Ray Blanton and other representatives of the State are anxious to build a highway through Overton Park. I have previously reported to you that this proposal was being resubmitted by the State of Tennessee. This has now been done



and I have in my office recommendations from the Federal Highway Administrator. Additional recommendations on this project are being submitted by the General Counsel's office and the Environmental office of the Department, since the highway project has already been through the Supreme Court of the United States on a prior approval.

I am moving toward a decision on this matter, but I have been informed by members of your staff that you may have an interest in deciding this. Would you please indicate to me how you want to proceed.

☒ Proceed to decision.

*Don't know anything about it. Just check with Stu*

☐ Please refer this matter to me.

#### Airline Regulatory Reform

#### INFORMATION

Yesterday, I met with Members of the Senate Commerce Committee to reaffirm your desire for prompt action on the Aviation Regulatory Reform bill and stressed again the statements made in your letter for more liberal provisions that the Committee is currently considering. The meeting was constructive and cordial, and I believe this session, combined with your letter to the Senate Members, will help move the bill closer to the Administration goals.

#### Puget Sound Salmon Fishery Enforcement

#### INFORMATION

The first month of joint Federal salmon fishery enforcement in Puget Sound has resulted in only sixteen citations for non-compliance with the fishing regulations. Fortunately, the anticipated mass violations and violence have not materialized. An additional "breath of fresh air" resulted in lessening of tensions on July 20, 1977, when representatives of the concerned non-Indian commercial salmon fishing organizations issued a statement pledging to urge their memberships to "carry out an orderly fishing season" this year. This was done to enable your Special Task Force (chaired by the Justice Department) to proceed with efforts to find an equitable solution to the overall problem of the Puget Sound salmon fishery.

#### U.S./U.K. Air Services Agreement (Bermuda II)

#### INFORMATION

The Air Services Agreement between the United States and the United Kingdom was signed in Bermuda on July 23, 1977, by Ambassador Boyd and I. U.S. scheduled airlines obtained substantial new route authority, and if the CAB acts



promptly, Atlanta, Dallas/Fort Worth and Houston will have non-stop service to London in the Fall.

Senator Cannon and Representative Anderson are concerned that a full bilateral charter air services agreement was not reached at the same time. (Some charter provisions are in the agreement, but these fall short of what we could expect to negotiate in a charter bilateral.) Reaching a charter bilateral with the United Kingdom will be a major negotiating priority next year.

We regard the agreement as excellent in meeting long-term U.S. needs and objectives. There is some concern that certain cities will not receive non-stop service to London, although as a result of the agreement, the U.S. now has more authority to serve the United Kingdom than we have to serve any other country. Also, some persons have argued that the provisions to prevent dumping of excess capacity in the North Atlantic markets are too restrictive. Finally, there is concern that the U.S. has agreed to limit the number of airlines that can serve low traffic routes. We do not regard any of these arguments as having merit, but they do reflect an expression of feeling by certain airline or city interests that did not obtain all of the rights they sought in the negotiation.

THE WHITE HOUSE  
WASHINGTON

August 1, 1977

Bob Lipshutz -

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

Re: John C. Sacco

THE WHITE HOUSE  
WASHINGTON

cc Lipschutz





THE PRESIDENT HAS SEEN.

Office of the Attorney General  
Washington, D. C. 20530

July 29, 1977

JUL 29 1977

cc Lipschutz  
P. 4  
J

Re: Principal activities of the Department of  
Justice for the week of July 25 through 29

1. Meetings and Events

The Attorney General lunched this week with James Reston of the New York Times, whose salient concern was undocumented aliens and the forthcoming Administration program, and he talked Thursday with the Editors of Fortune concerning antitrust enforcement. He also held a 45-minute press conference Thursday afternoon, which was dominated by questions on the KCIA investigation, James Earl Ray, and the FBI break-in investigation. Judge Bell also met Tuesday with Representative Kastenmeier, chairman of the relevant House subcommittee, to discuss the prompt consideration after the recess of department legislative measures. Pursuant to discussions with the President and White House advisers Wednesday, the Attorney General thereafter met with Speaker O'Neill and Majority Leader Byrd. The Attorney General telephoned the President his report, and a separate written report on this matter has been submitted to Mr. Lipshutz. The Attorney General attended President and Mrs. Carter's picnic Wednesday night. On Monday afternoon, the Attorney General spoke to the Standing Committee on Rules of Practice and Procedure of the Federal Judicial Conference, stressing among other things that the Administration is urging and anticipates congressional approval of the Magistrates Bill this year, which Judge Bell said he hoped would prompt the committee to develop procedural rules for the Magistrates division. To the National Urban League meeting Tuesday afternoon, Judge Bell discussed the fundamental principles that the Department of Justice should embody -- integrity, fundamental fairness, openness, restraint, professionalism. Assistant Attorney General, Civil Rights, Drew Days, later participated in a panel discussion on the Urban League program.

2. Indochinese Refugees

The Attorney General met on the Hill with Senator Eastland, Chairman Rodino, and Congressman Eilberg to discuss his consideration of the request of the Secretary of

State that Judge Bell exercise his statutory parole authority to admit 15,000 Indochinese refugees. Judge Bell then wrote a letter to those congressional leaders stating that it was his present intention based on his study of the facts to authorize the parole on August 11, 1977. There is no statutory requirement of congressional approval for the exercise of parole, but there is a long-standing tradition of consultation on such matters. Chairman Eilberg has scheduled a hearing on the question next Thursday, August 4. The Attorney General will be the first witness.

3. James Earl Ray

The Attorney General released publicly Thursday his letter to Governor Blanton of Tennessee informing him of the decision that Ray would not be accepted in federal custody at the present time. He called Governor Blanton Wednesday to inform him of his decision.

4. FBI-DEA Investigative Units

Top officials of the FBI and DEA joined with Ben Civiletti, the Assistant Attorney General for the Criminal Division, this week to formulate plans for joint FBI-DEA investigative units in target cities where organized crime is closely connected to major narcotics trafficking networks.

5. Korean CIA Investigation

The Attorney General and Mr. Civiletti met with members of Congress to describe the current status of the KCIA investigation in as full a manner as possible consistent with the responsibility to protect the integrity of the investigation and potential prosecutions. The KCIA case was also a subject of considerable questioning at the Attorney General's press conference.

6. Zenith Radio Corp. Case

The Court of Customs and Patent Appeals reversed this week the Customs Court and ruled in favor of the government in United States v. Zenith Radio Corp., a case with major international trade consequences. The Court held that the mere remission of an excise tax by the Japanese government on certain electronic products that are exported from that country does not amount to a bounty and that the U.S. Treasury is not

required to impose countervailing import duties on these goods. This decision should relieve a great deal of foreign concern about this country's trade practices. It also establishes a good precedent for a similar pending case brought against the government by U.S. Steel involving imports of steel products from Western Europe.

7. Undocumented Alien Apprehensions (INS)

A special border control operation, which began on June 2, 1977, with the temporary assignment of 100 agents to the Chula Vista Border Patrol Sector, is now nearing completion of the second month of operation. The July apprehension total, 29,890 through the 25th of the month, makes a grand total of 68,050 since the operation began. In view of the success of the operation to date, the temporary assignment of the 100 additional agents to the sector has been extended for another 60 days. It is anticipated that in excess of 100,000 apprehensions will be made during the four-month operation.

8. Legislative Reports

(1) Eleven hearings featuring Department witnesses are scheduled for the last week before recess. These include hearings on the LEAA Task Force Report, lobbying legislation, and diplomatic immunity.

(2) Busing -- The Senate Judiciary Committee Friday considered for the third consecutive day S. 1651 (Biden-Roth), to establish guidelines for courts in prescribing busing as a remedy in school desegregation cases. The Attorney General, on July 26, sent a letter to Chairman Eastland opposing the bill on the grounds that there is questionable need for the legislation, some provisions appear unwise, and others would raise serious constitutional issues.

(3) Federal Criminal Code Reform -- The Senate Judiciary Subcommittee on Criminal Laws and Procedures expects to report out the latest version of S. 1437 next week. This conforms to the schedule contemplated by the sponsors of the bill. The House Subcommittee is being worked with to facilitate its consideration on the bill in September. It is hoped that the Senate will, by the close of this session, pass S. 1437.

9. A Kudo, a Bitter Pill, and Some Prospective Medicine

● A Tampa Tribune editorial strongly praised the federal attack on organized crime in mid-Florida. A copy is attached.



● Mr. Civiletti wrote the Attorney General this week: "John C. Sacco, a hitman for the Buffalo Organized Crime Syndicate, and a Lieutenant in that Syndicate, was released by Chief Judge John T. Curtin on a personal recognizance bond in the amount of \$10,000 on July 7 even though the government Strike Force prosecutors produced uncontroverted evidence that he was facing two dozen major federal and state prosecutions; that he had attempted to murder one person; plotted to murder two others; that he is a professional thief and robber and his other sources of income are extortion, loan-sharking and fencing."

What  
can  
we  
do?

● It is expected that the first wave of coordinated indictments in the organized crime investigation of the east, southeast and Gulf Coast waterfront will occur the week of August 15. These indictments will involve approximately nine cities and about a dozen cases.

10. Ray v. Arco

The Solicitor General filed Monday the government's brief in Ray v. Arco, a case involving a Washington state ban on supertankers in Puget Sound and the issue of federal preemption. The Attorney General personally reviewed the federal agency conflict in this case as requested by the President as a result of a memo from several of his White House advisers. Judge Bell was satisfied with the stringent efforts made by the Solicitor General to accommodate the views of all concerned in this case, and a formal report has been sent to Mr. Lipshutz.

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**James A. Clendinen**  
Chairman of the Editorial Board

**Poul Hogan**  
Managing Editor

**J. Stewart Bryan**  
Publisher

**Richard F. Pittman**  
General Manager

B-A

Monday, July 18, 1977

## Editorials

# Feds Prove Crime Can Be Clipped

**T**HE INDICTMENTS and convictions which result from continued work of Tampa's Federal grand jury, its U.S. Strike Force of attorneys and FBI agents say good and bad things: There's organized crime here but its tentacles can be clipped.

Consider the following:

•• Last week, a former State Attorney's investigator, a Tampa bail bondsman, his secretary and a reputed Mafia "hit man" were convicted of lying to a Federal grand jury and conspiring to obstruct justice in a case rising from narcotics traffic. Earlier, three of the four were convicted in a narcotics conspiracy along with four others.

•• In early June, 23 persons were indicted for a five-year conspiracy to burn Tampa buildings for insurance settlements. Among the charged conspirators were an ex-Tampa fire marshal, a former mayoral candidate, two of the city's well known real estate brokers, bondsmen, bar owners, restaurateurs and recognized mobsters.

•• Last November, a Federal jury convicted six persons, including an alleged Mafia "underboss", of conspiracy in the murder of ex-Tampa police detective Richard Cloud and the attempted murders of three others. Cloud's killing was connected

with his narcotics investigations, while the other murder attempts involved struggles for control over vending machines and bars.

•• In 1975, a high-ranking Mafia figure, Henry Trafficante, the younger brother of Mafia don Santo Trafficante, was convicted in Federal court along with six other men for operating a gambling ring.

•• That same year, 15 persons were sent to prison for their part in an interstate prostitution organization.

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Murder. Arson. Gambling. Prostitution. Narcotics. Perjury. Bombing. Vicious acts and formidable obstacles for Federal prosecutors to overcome to gain convictions. But armed with a tough anti-racketeering law and with a zeal to get to the heart of big crime, the grand jury, FBI and Strike Force team have wielded a heavy and effective club.

It's bad news that Tampa still has strong pockets of professional criminals and amateur associates. It's good news that some of the key operators are being indicted and convicted. It would be even better news if blows of this kind against organized crime were being landed by local grand juries and prosecutors.

To: Terry Adamson  
From: Ben Civiletti  
For consideration for weekly summary

C.  
7/22  
FBI



THE PRESIDENT HAS SEEN.  
THE SECRETARY OF THE TREASURY  
WASHINGTON

F.Y.I.

July 29, 1977

17 JUL 29 1977

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MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. SECRETARY'S WHEREABOUTS

Mike Blumenthal is visiting Louisville, St. Louis and Denver to discuss tax reform, and will be back this afternoon. He will be leaving at the end of the next week to attend a one-day meeting in Paris on the IMF Witteveen facility on Saturday, August 6.

2. THE TRADE DEFICIT AND THE DOLLAR

On the "census basis" the deficit for June was \$2.8 billion and the deficit for the first half was \$12.6 billion. On the broader balance of payments basis, the figure was \$7.8 billion for the second quarter and \$14.8 billion for the first half. As you noted at Thursday's press conference, these numbers confirm our prior judgment that the deficit would run at about \$25 billion for the full year.

Speaking in Louisville on Thursday, Mike affirmed that "a strong dollar is of major importance not only to the U.S. but to the rest of the world" and that "we cannot be indifferent to these numbers and will carefully watch developments on a continuous basis". He noted that the proper approach was to concentrate on the fundamentals of our economy, and that "recent indicators show continued and welcome progress". He also stressed, as you did, the critical importance of the energy program as "the single most important step we can take to deal with our trade imbalances".

3. ENERGY TAXES

The energy bill will be considered on the House floor beginning next Monday, August 1. The Senate Finance Committee begins hearings on August 8, and Mike has been invited to testify on Tuesday, August 9.

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#### 4. INTERNATIONAL FINANCIAL INSTITUTIONS

On Wednesday the Senate passed the Conference Report on the authorizing IFI legislation. The bill included the compromise worked out on human rights and other issues, which avoids any mandatory "no" votes. Senator Humphrey, who managed the bill, was most appreciative of your support for the compromise. There will be problems in the House, though some of the major human rights groups have decided to support us and would not wish to vote down the entire legislation.

#### 5. DEBT MANAGEMENT

On Wednesday afternoon, Treasury announced plans to refund \$3.2 billion of securities maturing on August 15 and raise \$3 billion in new cash. The three-pronged offering consists of the following:

\$3 billion in notes maturing 1980;

\$2.25 billion in notes maturing 1984;

\$1 billion in bonds maturing 2007.

Due to the credit-tightening move initiated by the Federal Reserve yesterday, it was difficult to determine market reaction to the offering. Market comments were generally favorable with some concern exhibited over the total financing needs for the quarter. We did note (with OMB's concurrence) in the financing press conference on Wednesday afternoon that we expected a shortfall in expenditures this quarter two to three billion dollars less than the mid-season budget review released earlier this month.

#### 6. US-ISRAEL FOUNDATION

On Monday, there was inaugurated the U.S.-Israel Bi-National Industrial Research and Development Foundation. The foundation is a creation of the U.S.-Israel Joint Economic Commission funded by \$30 million from each country. (The U.S. contribution comes from our surplus holdings of Israeli currency.) A top Israeli scientist was chosen as Chairman of the Board and a top American scientist as Executive Director. The foundation will be located in Tel Aviv and will finance joint efforts by American and Israeli firms to develop non-military research and development.

7. TAX FORMS


Along with tax reform, we are hoping to provide the taxpayer the simplest forms and clearest instructions that the tax laws will permit. IRS is about to test a revised short form (Form 1040A) on a hundred of their employees, and will also be running tests on revisions of Form 1040 and other forms.

8. ZENITH CASE REVERSED

The U.S. Government and Japanese TV manufacturers won a major victory yesterday (July 28) when the Court of Customs and Patent Appeals voted 3-2 to reverse the Customs Court decision in the Zenith case. The majority opinion affirms Treasury's position that the Trade Act does not require the Secretary to impose countervailing duties against remission of a Japanese commodity tax on electronic products exported from Japan. This removes at least temporarily a potentially explosive trade issue. Zenith has 90 days in which to file a petition for a writ of certiorari asking the Supreme Court to overturn the appellate court decision.

9. OPENING OF FIRST-CLASS MAIL BY CUSTOMS

The Supreme Court recently held that it was constitutional for the Customs Service to open first-class mail from abroad when it had reason to suspect that the mail contained contraband (usually narcotics). For many years the Customs Service has in fact been opening such mail and last year opened approximately 270,000 pieces. The House Government Operations Subcommittee on Government Information and Individual Rights held hearings yesterday into this practice and produced testimony from the Postal Service indicating improper actions on isolated occasions in the last six years by Customs employees. This week Customs published detailed guidelines on when first-class mail may properly be opened, and it is rigorously enforcing those guidelines.

  
Robert Carswell  
Acting Secretary

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LIMITED OFFICIAL USE

TO: President Carter  
THROUGH: Jack Watson  
FROM: USUN - Ambassador Young  
SUBJECT: Weekly Summary of U.S. Mission to the U.N. Activities  
July 20 - 27

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1. NAMIBIA: Secretary General Waldheim ~~Waldheim~~ <sup>Waldheim</sup> ~~cabled~~ <sup>telephoned</sup> UN Commissioner for Namibia Ahtisaari back to New York and instructed him to provide whatever advice and information is available in the Secretariat with regard to UN involvement. It is clear, however, that any plan which is developed will be our own and that UN assistance will be limited. SWAPO has now suggested August 8 as the starting day for discussions in New York. One development which will not be helpful is an African request for a special session of the General Assembly on September 6-9.
2. ANGOLAN COMPLAINT ABOUT SOUTH AFRICAN AGGRESSION: The Angolans have complained to Waldheim that South Africa is increasing its aggressive acts along the Angolan-Namibian border. South Africa has denied these allegations and has invited the Secretary General to send a representative to investigate.
3. AMB. LEONARD MEETS WITH THE SOVIET CHARGE KHARLAMOV, JULY 25: Leonard emphasized the US desire to cooperate with the Soviets during the next General Assembly and assured him that the US did not plan a human rights campaign aimed at the USSR. Kharlamov, while making clear Soviet apprehensions about US human rights initiatives, responded that the USSR would do all it could to avoid confrontation.
4. AMB. LEONARD MEETS WITH ISRAELI PERMANENT REPRESENTATIVE, HERZOG, JULY 25: Herzog briefed Leonard on Begin's meeting with Waldheim, adding that Israel hoped the Middle East would continue to remain out of the UN limelight in order to facilitate progress on reconvening the Geneva Conference. Leonard warned that settlements on the West Bank could well draw Arab fire. (The Israeli announcement followed within hours.)
5. THE ECONOMIC AND SOCIAL COUNCIL IS WINDING UP ITS SUMMER SESSION: Public attention has focused on the election of the PLO to the Economic Commission for Western Asia. This will be the first time a non-state has been accorded full membership in a regional economic commission. The US was one of 11 countries, mostly Western, who voted against PLO membership.
6. AMB. YOUNG MEETS WITH BRITISH ECONOMIST BERNARD RIVERS, JULY 25: Rivers briefed Young on the question of potential UN oil sanctions against Rhodesia.
7. BRIEFING ON US-SOVIET TALKS ON INDIAN OCEAN: As agreed, the US and Soviet Missions have briefed the Chairman of the UN Ad Hoc Committee on the Indian Ocean regarding talks aimed at limiting military presence in the area.
8. AMB. YOUNG'S OTHER MEETINGS: Bradford Morse, Administrator of the UN Development Programme; Puerto Rican Secretary of State Reinaldo Paniagua. PRESS: Lunch with the Editors of the New Republic. SPEAKING ENGAGEMENTS: National Urban League, Wash., DC.

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THE PRESIDENT HAS SEEN.

United States  
Environmental Protection Agency  
Washington, D.C. 20460

July 28, 1977 23 PM

The Administrator

C  
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MEMORANDUM FOR THE PRESIDENT

During the week of July 11-15, I was in the Soviet Union in my capacity as Chairman of the US side of the US-USSR Environmental Agreement. Thanks to discussions with Frank Press, along with briefings by Zbig Brzezinski's staff, the State Department, and the CIA, I was well prepared for the meetings. Most important, I was able to reassure the Soviets of your commitment to the basic goals of the program, while at the same time putting them on notice that we are placing increased emphasis on mutuality of benefit.

I encountered no political element in any of my discussions with my counterpart, Dr. Yuri Izrael, and his staff. At all times I was received in an open, positive manner and treated to the warmest of hospitality. While one of my staff and our Embassy escort officer were given brief "mini-lectures" on human rights and the cruise missile, the Soviets who addressed these points seemed clearly uncomfortable at raising the issues and never again referred to them. From the cordial, productive atmosphere of our meetings and social contacts, it is clear that, for the present, the Soviets wish to preserve this channel of peaceful cooperation and will avoid injecting purely political gestures which would affect the substance of the Agreement.

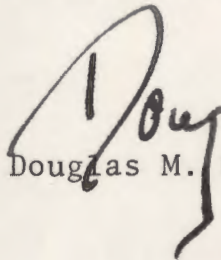
On the substantive side, I gave them a clear indication of our intention to insist on increased mutuality of benefit. In the past, our side has accommodated an imbalance in favor of the Soviets. This was expected, and was knowingly undertaken in order to provide a stimulus to their work and to give them a chance to catch up, as well as to become accustomed to working more openly on environmental problems. Their record during the first five years was mixed, so we have set a new course at the beginning of the second five years. I spoke frankly with Dr. Izrael on this, and he responded very positively that the Soviet side shares this view.

In a related matter, I pointed out that we have been rather generous in allowing access to our key personnel and laboratories, and that similar access has been denied to us on a number of occasions. The reasons given have varied, but the underlying rationale has been their tight security system. Their reaction suggests that they may now be more forthcoming. If they are not, then my staff and the Department of State will ensure that we begin reducing access on this side. The Soviets are tough negotiators, and we are prepared to match them while maintaining a constructive approach.

The Soviets expressed concern over the progress of the earthquake prediction program, in which they feel US funding and personnel problems are causing difficulty. I assured them that I would examine the situation and that, since Frank Press has been one of the participants and has a strong interest, we should be able to strengthen the program.

We suggested new projects in two areas--identification, classification, and regulation of toxic substances; and detection and regulation of harmful radiation. These topics will be further explored in the next few months.

In summary, the meetings went very well. The Soviets understand your support of the Agreement and the principle of cooperation based on realistic assessment of capabilities, goals, and results. During the annual meeting, it has been customary for the visiting cochairman to be received by the Head of State. I hope that I can arrange for you to meet briefly with Dr. Izrael this fall to underscore your interest and commitment to the Agreement and friendly relations with the Soviets.

  
Douglas M. Costle





THE PRESIDENT HAS SEEN.  
DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

1977 JUL 29 PM 2:00

July 29, 1977

MEMORANDUM TO THE PRESIDENT

THROUGH Jack Watson  
Secretary to the Cabinet

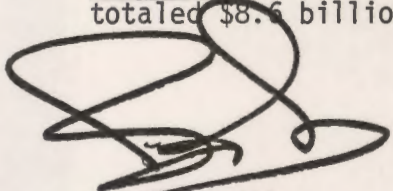
SUBJECT: Weekly Report

FARM BILL. Meeting today (Friday) with Chairmen Foley and Talmadge in an attempt to eliminate the more objectionable provisions of the House and Senate Bills.

MAIL. A complete revision of the mail handling and distribution system is under way.

BUDGET. Personally directing the review of the FY 1979 budget proposals. Agency heads unpleasantly surprised -- but now understand -- the Administration's seriousness in reducing costs and eliminating programs that can't stand on their own under close examination. ZBB works!

EXPORTS. The October through June surplus of agriculture exports totaled \$8.6 billion compared with \$9.1 billion last year.

  
BOB BERGLAND

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THE PRESIDENT HAS ORDERED  
EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

July 29, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *W.*  
Gus Speth  
Marion Edey

SUBJECT: CEQ Weekly Status Report

Environmental Message Follow-up: We are following up your Environmental Message by:

- requesting affected agencies for progress reports on their implementation of the message directives and Executive Orders.
- convening an interagency task force on environmental monitoring and data programs.

Water Policy Reform: Speth represented the Administration at regional hearings on water policy reform in Atlanta, Georgia. CEQ also represented at similar hearings in Minneapolis, Minnesota.

Water Pollution Control Act Amendments: We are working with others to get the Clean Water Act of 1977 approved by the Senate next week. CEQ is concentrating on the wetlands protection and enforcement issues in the bill. (The vote on wetlands will be very close; we may request a Presidential letter.)

Economic Assistance: We are completing a proposal for better coordination and improved delivery of various economic assistance programs to communities, workers, and firms that are seriously impacted by pollution control and other environmental regulations. We will be submitting this to you next week.



United States of America <sup>THE PRESIDENT HAS SEEN.</sup>  
General Services Administration  
Washington, D.C. 20405

cc Stu  
C

Administrator

July 29, 1977

JUL 29 PM 2 11

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on GSA Activities

Funding for Printing of Federal Register and Code of Federal Regulations

Funding for the printing of the Federal Register and Code of Federal Regulations has been transferred to the Executive Branch by the Legislative Branch Appropriation Act of 1978. The act amends the Federal Register Act by requiring that each agency pay for printing its own material in both publications. Both the Government Printing Office and the National Archives Office of the Federal Register feel that in its transfer of these costs from the Legislative Branch to the Executive Branch, Congress chose the worst of available alternatives. Preferred by GPO and NARS was a flat appropriation to GSA with authority to overspend when necessary. A second option was a flat appropriation to GSA. With the new legislation, GPO estimates billing and bookkeeping costs of between \$500,000 and \$1 million annually. Many problems in preparing statutorily mandated finding aids are posed for the Register. The legislation now awaits the President's approval or disapproval.

Stu -  
Can I  
veto?

Immigration and Naturalization Service Inquiry

The Immigration and Naturalization Service is seeking evidence at the Archives for a number of projected deportation proceedings. Targets are Nazi collaborators who came to this country following World War II as refugees from Communism. Captured German records are being studied. Cases are kept secret pending the finding of firm evidence of crimes in Europe and the bringing of perjury charges in connection with immigration to this country.

Regulatory Reform

Inspired by their participation in the Federal Register workshop on how to write regulations in plain English, two Federal Communications Commission employees drafted a greatly simplified version of FCC rules for citizen-band radios. Commission Chairman Fred Wiley presented the improved version at a press conference and praised the Register's efforts in improving the clarity of Government regulations. He predicted that the rewritten rules would produce increased compliance by CB users.

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### Tin Prices Soar

GSA's tin prices are soaring to new highs. The Federal Preparedness Agency has sold 110 long tons this month valued at \$1.1 million. On July 25, GSA's price for Grade A tin was \$4.97, the highest since early March of this year. Based on this price, the current value of tin stockpile is as follows:

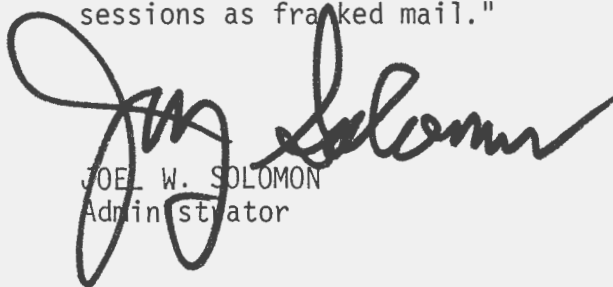
Total inventory	\$ 2,257,000,000
Total excess	\$ 1,895,000,000
Total authorized and available for sale	\$ 22,500,000

### Assistance to State Department

As reported last week, the Department of State is opening an office in Havana, Cuba, and requires special supply assistance. To date, they have placed 162 high priority requisitions with us for office furniture and housekeeping supplies. These requisitions have been entered into our system and are now being processed. State has advised that all orders must be received at the Cape Canaveral consolidation point by August 15. The supplies will be airlifted on a State charter flight to Havana.

### Alleged Abuse of Mail Franking Privileges by Former President Nixon

This past week the press reported that former President Nixon mailed "2000 copies" of "Special People" by Julie Nixon Eisenhower using his franking privileges and that "GSA approved it as a legitimate business expense of the former President." The GSA Region 9 office in San Francisco administers the provisions of the former Presidents Act and related laws for former President Nixon. They were not asked for prior or subsequent approval of the mailing. The former President's staff has informed us that the mailing was less than one-tenth of the number reported; that the books (with accompanying letters) were gifts to the President, former President Ford, Congressmen and other friends; and that the mailing is authorized under 39 U.S.C. 4165 which states, "A former President may send all his mail within the United States and its Territories and possessions as franked mail."



JOE W. SOLOMON  
Administrator



THE PRESIDENT HAS SEEN.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

July 30, 1977

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

The following is my weekly report on significant activities in the Department of Health, Education, and Welfare:

- Welfare Fraud and Errors: On July 27, I announced a new HEW-Justice initiative to expose welfare fraud by Federal employees. Called Project MATCH, it will use computers to match the names of Federal civil service employees throughout the country against names on the welfare rolls. Individuals receiving both a Federal paycheck and a welfare check will be investigated. In some instances, the individual may be properly receiving welfare, based on payscale and number of dependents. Our preliminary analysis in the District of Columbia indicates 105 instances of apparent fraud or error out of 216 "matched" cases.

We are exploring with the Departments of Agriculture and Labor the feasibility and methodology for matching the entire Federal civilian payroll against welfare, food stamp, and unemployment benefit records. Also, we are working with the States to assist them in developing similar technology for state and municipal employees. In all our investigative work, we are consulting with the Justice Department and the Civil Service Commission to protect the privacy and rights of all individuals.

- Internal Reorganization: With the review and approval of OMB, I announced on July 26 the reorganization of the Office of Human Development. Now called the Office of Human Development Services, this office directly affects some of the most vulnerable people served by HEW. We have reduced from 24 to 9 the number of program and staff units reporting directly to the Assistant Secretary. ~~The press release on this subject is attached.~~

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- Abortion: The Department stands ready to terminate the use of federal funds for abortions except where the life of the mother is in danger. This week the Attorney General issued an opinion which found that the Hyde Amendment prohibits abortions for rape and incest victims (unless there is a threat to the mother's life) but allows prompt treatment for rape and incest victims before the fact of pregnancy can be determined. As you know, the District Court in New York has entered a Temporary Restraining Order preventing us from implementing the Hyde Amendment. A hearing on a motion for a preliminary injunction is scheduled for next Wednesday.
- Appropriations: Except for the abortion issue, the House-Senate conferees reached agreement on the 1978 Labor-HEW Appropriations bill on Tuesday, July 26. The conference report will be debated in the House on Tuesday, August 2. There will be a separate vote in the House on abortion. The Senate will not take up the conference report until after the August recess. At the Department's urging, the conferees deleted Senate-passed language from the bill prohibiting the Department from using funds to conduct the Elementary and Secondary Education Survey for school year 1977-1978. However, the conferees adopted restrictive anti-survey language in the conference report that could lead to litigation against the Department by those who object to surveys.
- Hospital Cost Containment: The Health Subcommittee (Kennedy) of the Senate Human Resources Committee reported out a Hospital Cost Containment Bill on Tuesday, July 26. The bill is tougher than ours on most counts and will help us in our eventual negotiation with Talmadge and Long. That bill moved to the full Human Resources Committee on Friday, July 29. In full committee Senator Kennedy amended the bill to provide for a mandatory wage pass through for non-supervisory employees under the Federal program and for somewhat liberalized conditions to be met by states if they want to be excluded from the Federal program. On Tuesday, August 2, the committee will consider the balance of the bill, most importantly the wage pass-throughs in state plans and restrictions on capital investment. The full committee is expected to report the bill then. The Senate Finance Committee will consider it after the August recess.

The House Ways and Means Health Subcommittee (Rostenkowski) held several markup sessions during the week of July 22 on hospital cost containment. Rostenkowski

amendments appear to have the support of the majority of the Subcommittee members. Major differences between Rostenkowski's bill and the Administration's proposal are that Rostenkowski provides for an exclusion for hospitals with fewer than 4,000 admissions per year, a flat nine percent increase in hospital revenues regardless of the rate of inflation in the economy, and provides for a grouping of hospitals which allows the Secretary to reward or penalize hospitals on the basis of their ability to restrain costs. Rostenkowski will hold another markup on Tuesday, August 2, and has promised that the bill will be reported before the August recess.

- Social Security Financing: The Senate Finance Committee held a general discussion on Social Security Financing and decided not to markup the bill until September. However, they did take an important straw vote, agreeing by an 11 to 3 margin (Hathaway, Haskell and Packwood opposed) not to use general revenue financing to reduce deficits in the fund. They will consider alternatives the first day after recess when they mark up the Social Security Financing bill.
- H.R. 7200: The Senate Finance Committee is in the process of marking up H.R. 7200 and will complete this process on Monday or Tuesday next week. Senator Long plans to go to the Senate floor with H.R. 7200 and Social Security Financing tied together.

Major actions on H.R. 7200 included:

1. Fiscal Relief: Senator Moynihan proposal to provide \$1 billion of fiscal relief to the States and localities for the cost of their welfare programs was approved with great confusion over its relationship to error rates. Moynihan apparently accepted an amendment from Long and Curtis on error rates that gutted much of the fiscal relief for New York. There will be more changes on Monday.

*Veto  
bail*

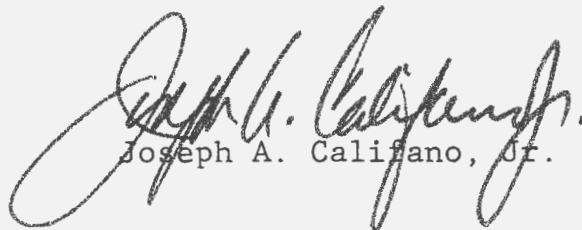
2. Foster Care/Child Welfare Services: The Administration proposal to reform the current foster care/child welfare services programs did not fare well. The Committee capped the foster care program two years earlier than the Administration bill. Our proposal created an entitlement for child welfare services (Title IVB), while the



Committee left Title IVB as an authorization which only required the states to collect data. However, the Committee did create an open-ended adoption subsidy program, substantially similar to the Administration proposal.

H.R. 7200 is in such bad condition now that, standing alone, it would be an ideal candidate for veto. In addition to the budget-busting billion for fiscal relief, it contains another \$300 plus million for additional benefits for Puerto Rico and the territories, and some distinctly regressive eligibility rules relating to children and work.

But our view of the legislation will be complicated by Long's clear intention to attach much of your social security legislation to H.R. 7200 in an attempt to create a veto-proof Christmas tree.

  
Joseph A. Califano, Jr.



THE PRESIDENT HAS SEEN.

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

July 29, 1977

1977 JUL 29 PM 2:07

MEMORANDUM FOR: The President

SUBJECT: Weekly Report of Major  
Departmental Activities

The following are brief descriptions of significant activities at the Department of Housing and Urban Development.

Johnstown Flood-Relief in High Gear. Four days after approximately 3,700 homes suffered damages in seven counties in the area of Johnstown, Pennsylvania, HUD placed its first mobile-home temporary housing on the scene and five one-stop disaster-relief field offices were opened throughout the flood area. Special emphasis is being placed on helping the elderly and a number of the elderly have been provided emergency housing in available college housing apartments. Prior to that, a team of key HUD officials, including Assistant Secretary Geno Baroni, had visited Johnstown and reported back to me with their assessment of the flood damages.

Initial estimates indicate that 800 mobile homes and 300 vacant dwellings may be necessary for temporary housing. Although as many as 1,500 families may be able to use HUD's Minimal Repair Program, at least 300 homes have been swept away or damaged beyond repair.

On Friday, July 29, I will visit Johnstown for a personal inspection, as well as meetings with victims, local and state officials and federal representatives.

Housing Costs. HUD has just received verbal approval from the Office of Management and Budget to form a blue-ribbon Task Force on the Cost of Housing which will assist HUD in obtaining the necessary data and advice from non-government sources who are in a position to implement specific cost-cutting measures.

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THE WHITE HOUSE  
WASHINGTON  
August 1, 1977

Stu Eizenstat

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

RE: STATEMENT BY A. BURNS BEFORE  
COMMITTEE ON BANKING, FINANCE  
AND URBAN AFFAIRS



THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION  
FYI

	MONDALE
	COSTANZA
X	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	LANCE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

The shock of abrupt adjustment after so many years of drug-like abuse of our economic system would be excessively risky. To the maximum extent feasible, however, we are determined to move toward reestablishing conditions of financial order in our society. That is not because financial order is itself an end with which we are preoccupied, but because our Nation cannot realize its potential for sustained prosperity and well-being until existing apprehensions about inflation are subdued.

We at the Board have no illusions about what the Federal Reserve alone can accomplish. Sound monetary policy is a pre-

requisite to the achievement of the employment and price goals set forth by the Administration. But other elements are no less critical. The President's timetable for eliminating the deficit in the Federal budget deserves the earnest support of the Congress. Structural rigidities in the economy also pose serious questions. It is fortunate that members of the Congress increasingly perceive that persistent budget deficits and ever faster increases of the money supply, whatever their usefulness in the past, are no longer capable of solving our economic problems.

THE PRESIDENT HAS SEEN.

For release on delivery

Sta -  
Excellent  
J

Statement by

\*\*\*\*\*  
Arthur F. Burns

Chairman, Board of Governors of the Federal Reserve System

N.Y.C. decline

Volunteers

Cynicism

< courage, optimism

Crime, drugs, deterioration  
what to do?

Fed govt spent money &

Results hard to find

---

Human Rights

Fund of good will in America

Direction - organize resource

Massive volunteer



THE WHITE HOUSE  
WASHINGTON

Mr. President:

Brzezinski concurs;  
Hamilton has no comment.

Rick (wds)

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM:

Jane Frank *Jane*

July 29, 1977

RE:

Proposed Agenda for Cabinet Meeting  
on August 1, 1977

1. No Cabinet meeting on Monday, August 8. (Tim Kraft has asked us to check the Cabinet's plans for the remainder of the month, and you may wish to ask about their plans at the Cabinet meeting.)

2. Status report on Cy Vance's trip to the Middle East.

3. Comments on State visit of Italian Prime Minister Andreotti.

4. Announcement by Bert Lance and Esther Peterson of reorganization of consumer offices. (Press announcement will be made at regular p.m. briefing--Esther and Harrison Wellford will be present.)

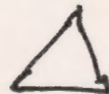
5. Call on Doug Costle to describe briefly the new inter-agency regulatory liaison group composed of EPA, FDA, OSHA and the Consumer Product Safety Commission. (See material in weekly summaries.)

6. Comments from Cabinet members.

CC: The Vice President

*Mr President -  
you might want to ask Doug to comment briefly on this -*

*Doug is prepared to do so -  
Jack*



THE WHITE HOUSE  
WASHINGTON

8-1-77  
Cabinet

Brown - Korea - Command, Sched  
Strategic Bal & SALT - Congress  
CM - BI - MX                      Pabst  
Recessions - MM3 - BI '77 - Hydrofoil

Kreps - Cargo preference - Blackwater  
Drought relief \$40/175 mil out  
Ag & Interior The same

Adams - Energy 5¢ tax 2 1/2 / 2 1/2  
Need to hold together  
Urban Xport

Lance Reorg Plan #1 EOB  
Consumer Protection now \$20 M.  
Shortfall - unpredictable

(Moore) MTN - Back on track  
Zenith case - Concur us MTN

Schlesinger Nat Energy Act should pass  
House this week  
Today Rule on DoE



THE WHITE HOUSE  
WASHINGTON

Senate - natural gas vote  
U/S Can gas pipeline rege. Harkin

Harris Johnston - working well  
Urban Dev Action Grant - deadlock

Beigland Forest fire - worst in history  
ZBB - Long hearings good  
Farm bill - ok except sugar

Blumenthal Trade deficit - (Energy)  $\geq \$25B$

Bell Sacco - Curtin

Marshall OSHA - boost

Employment - emphasize accompl.

Young "Balanced budget" code works  
Ethnic/poor conference @ WH

Schulke Soc Sec - Senate Committee

THE WHITE HOUSE  
WASHINGTON

Califano No gen rev → immediate  
employer tax

Cost containment - Rogers

Andrews Pub who will consume

Trust Territories satellite

Gas pipeline vs D2 lands

Christopher Cy → Egypt

8/10-11 London -

Nyerere (Tanzania) here

Better rel to India

ANZUS

Indian Ocean

THE WHITE HOUSE  
WASHINGTON

- Weekly reports - quality
- > Sacco release by Judge Curkin  
(Buffalo)
  - > 5d gas tax
  - Student testing - Rick
  - > Bureau - Drug, hunger - health
  - USIA use by me
  - > Garrulity
  - > Personnel appointments
  - > Drugs - Mayan Alien - Welfare
  - > Air standards
  - Panama - China - Mide - Rhod.
  - CTB - SALT - Arms - Polif. Hox



Many Colleges - 3/4 A's & B's  
Last yr Wash DC Valedictorian <sup>failed</sup> SAT  
Jesse Jackson - <sup>receipt</sup> groceries = <sup>diploma</sup> 2d  
Navy. 6wks HS grade → 6th gr  
Kennedy & Nixon - Nat Assessment  
of Educ Progress

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for Preservation Purposes

THE WHITE HOUSE  
WASHINGTON

August 1, 1977

Stu Eizenstat  
Hamilton Jordan  
Jack Watson  
Bert Lance  
Charlie Schultze

Re: Administration Response to  
Steel Price Increases

The attached was returned in the  
President's outbox and is forwarded  
to you for your information and  
appropriate action.

Rick Hutcheson

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION  
FYI

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/	LANCE
/	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
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	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE WHITE HOUSE  
WASHINGTON

July 30, 1977

MEMORANDUM TO:

THE PRESIDENT

FROM:

STU EIZENSTAT  
BOB GINSBURG

SUBJECT:

Administration Response to  
Steel Price Increases

You asked me to coordinate the development of possible options for your Administration's potential response to the steel price increases by U.S. Steel and Bethlehem Steel. I have asked Charlie Schultze, Barry Bosworth (your Director-designate of the Council on Wage and Price Stability) and the Special Trade Representative's office to prepare options.

These options are as follows:

1. Tariff Reductions. Strauss and Schultze agree that this would be an inappropriate action since it would have little impact on the industry, would appear to be a punitive response, and might reduce our negotiating leverage in the Multilateral Trade Negotiations. We agree with their conclusion that this option should not be exercised.
2. Reduction of the "Buy America" Preference. We agree with Schultze and Strauss that there is little utility in attempting to reduce this preference since it has little impact on the industry, particularly the type of steel product involved here, and, likewise, would appear punitive. (Under this preference U.S. producers have a 6% price preference -- and in some cases, a 12% price preference -- in general government procurement, and a 50% preference in procurement by the Department of Defense.
3. Direct GSA and the Department of Defense to remind government purchasing agents of their obligation to make steel purchases from the lowest priced American suppliers. Charlie Schultze feels that this action will have little impact unless a split market price develops, and that government purchases do not constitute a

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large enough share of the structural steel and tin mill market to force such a result. Nevertheless, we believe that this would be an appropriate action and might have some actual impact in encouraging the development of a split market. At the very least, it would be a positive action in the right direction and certainly, in and of itself, is appropriate since it re-emphasizes an obligation which government purchasing agents should be following in any event. This action could put the steel companies which have not yet followed the lead of U.S. Steel and Bethlehem under antitrust and shareholder pressure not to do so -- they will be hard put to explain why they are following the prices of the Big Two if they are foregoing increased government business in the process. If this action is to be taken, it should be done very quickly before other steel companies join U.S. Steel and Bethlehem.

*ok -  
proceed*

4. You could meet personally with the chief executive officers of U.S. Steel and Bethlehem. We agree with Charlie that this action is not warranted for the reasons he mentions.

5. Antitrust Investigations. Although this is not mentioned in Charlie's memo, you might call for an antitrust investigation of these price increases. We would not recommend this, however, because it would appear punitive and because the Justice Department is already investigating the last round of price increases in the steel industry.

6. Schultze's Recommendations: Charlie recommends that you (a) direct the Council on Wage and Price Stability (CWPS) to initiate a study of the increases and (b) have CWPS call in the automobile manufacturers and urge them to exercise restraint in pricing on the 1978 models. For the longer term, Charlie recommends that we (i) continue our efforts in the Meany-Jones Labor-Management Committee to develop mechanisms for dealing with private wage and price decisions and (ii) be prepared to speak out publicly against egregiously inflationary price or wage actions.

We have no objection to any of these recommendations, but would add the following:

1. Direct Contact with the Steel Companies. Charlie indicates that he has talked with the chief executives of several of the steel companies which have not yet raised their prices. You might make a private, unpublicized call to one or two of these executives to indicate your personal concern and strong hope that they will not follow the U.S. Steel - Bethlehem lead.

*no*

*What are  
likely  
results?*

2. CWPS Hearings. You could direct CWPS to not only undertake a study but conduct public hearings on the price increases. We believe that both Barry Bosworth and Charlie are concerned that this would be too confrontational and with little to gain. It is, nevertheless, a viable option you might use if you wish to take high visibility action.

3. Link to Auto Manufacturers. We think that any Administration discussion with the automobile manufacturers should not be publicly linked to these steel price increases. The public might regard calling in the automobile companies as a rather strange and indirect response to price increases by steel companies.

4. Meet with Labor-Management Committee. If you want to make a strong personal response to the steel price increases, and if Charlie thinks it advisable, you could call a special meeting of the Labor-Management Committee and lay down in general terms the need for price restraint by business if we are ever to get inflation under control. You could make it clear that you expect business to raise prices less this year than last and that continued attempts to improve profit margins by raising prices more than costs (apparently the case for tin mill products) mean a never-ending cost-price spiral. Jody could brief the press afterward on this meeting.

5. Forestalling Future Steel Price Increases. If it appears that these price increases will stick, one of your principal economic advisers should quietly tell U.S. Steel and Bethlehem that we expect that this will be the last increase for some time to come (at least January 1, 1978) and that any further increases may well cause a major confrontation with the Administration. This could at least, in a non-public way, help to forestall further steel price increases for some time.

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SCHULTZE MEMO

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

July 27, 1977

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*  
Subject: Response to Steel Price Increases

This memo outlines and evaluates a range of possible responses by you to the recent price increases on structural steel (6 percent) and tin mill products (7 percent). A brief appendix provides a summary of the price increases and a rundown of market conditions in the steel industry.

The U.S. Steel announcement has been followed by a similar announcement from Bethlehem (the number two company in the industry) and two smaller companies. I have subsequently met with the Presidents of National Steel and Jones and Laughlin, and talked by phone with Inland and Kaiser.

My best judgment is that the tin mill product increases will go into effect industry-wide. It is possible, however, that a number of companies will not raise prices on structural steel because of weak demand for structural products.

Options For Your Response

If you wish to react further to these price increases, you may choose between two approaches. One route is to take direct action that affects the steel industry in the market place. The other involves indirect actions aimed not so much at the rolling back of the latest price increases as at sending out messages on future inflationary actions.

Direct Government Actions

You can directly affect marketing conditions for steel by reducing trade protection in one of two ways:

- You can reduce, but not eliminate, the preference U.S. steel producers enjoy over foreign producers in bidding for government contracts. U.S. producers

100-11-101

receive a "Buy American" price preference of 6 percent, and in some cases 12 percent, in general government procurement, and 50 percent in defense procurement.

- You can reduce tariffs now in effect on steel products, but only as part of individual trade agreements with other countries. Tariffs on steel products are in the range of 6 to 7-1/2 percent.

Both of these options suffer from a number of drawbacks:

- Neither action would have a major impact on the industry. But either would appear to be a punitive response, rather than a well-thought out policy decision.
- By focusing attention in international trade, reduced protection could motivate the steelworkers union to support the companies in public because of their concern for the potential employment impact of lower trade restrictions.
- Unilateral reductions in tariffs or "Buy American" preferences would reduce our negotiating leverage in the Multilateral Trade Negotiations. This could also lead to criticism in the Congress.

You also can direct GSA and the Defense Department to remind government purchasing agents of their obligation to seek the lowest available prices. This requirement is supposed to be followed in any case. The action will have little impact unless a split market price develops for a particular steel product. Emphasis on the requirement would reinforce our earlier statements, however.

ok  
—

#### Actions Not Directly Affecting the Market

It is possible, and in my view advisable, for the Administration to take a different response to these price increases. Two avenues are open:

- (1) You could meet personally with the Chief Executives of U.S. Steel and Bethlehem. The steel companies have acted already, and they are unlikely to respond positively to requests to rescind or reduce their increases. A direct request from you would create an atmosphere of confrontation that would leave the companies no graceful way to back down. Even if you did not directly urge a rollback, the press would

no  
—



interpret the meeting as though it were pressure for a rollback, and play up the confrontation.

(2) You can order a study of these price actions, and make efforts to forestall spreading these price increases to other sectors. This strategy has two components:

- (a) You could direct the Council on Wage and Price Stability to study the latest price increases. CWPS could, using existing authority, obtain data from the steel companies on production costs, order backlogs and available capacity in specific product lines. CWPS could supply you with a report on the conditions in the industry that could provide the basis for further comments about the industry's pricing policies. (If you approve, we will immediately draft a directive to CWPS from you.) ok
- (b) The Administration can call in automobile manufacturers prior to the announcement of prices on their 1978 models to urge restraint in auto price increases. These meetings could be initiated by Barry Bosworth at CWPS. If necessary, the meetings could later be escalated to higher levels. Auto prices are the next big area of action, and, in any event we should do this. ok for Bosworth  
no for me

I recommend that you follow this last, two-fold, option.

#### Longer-Term Policy

I believe we should simultaneously move on two fronts in dealing with private wage and price increases. On one hand, we should move ahead with our negotiations with the Labor-Management Committee to develop mechanisms to deal with private wage and price decisions. It could be fruitful to meet separately with George Meany, and with Reg Jones, plus one or two colleagues in each case, to pursue the matter, rather than dealing solely with the full Labor-Management Committee.

The second prong of our program should be our willingness to make public, if necessary, our views about egregiously inflationary price or wage actions. The occasion, and the tenor of our comments, should be chosen carefully so that

they do not escalate into an unwarranted confrontation. At the same time, we can begin to get across our notions of what responsible wage and price behavior ought to look like.

Attachment

## APPENDIX

### I. Facts About the Price Increase

- U.S. Steel and Bethlehem Steel have announced price increases, effective in September, of 7 percent for tin mill products used in metal containers and 6 percent for structural steel. Armco and Wheeling Pittsburgh have followed the tin mill increase. Indications are that the tin mill price hike will spread industry-wide. There is some question whether the structural steel increase will stick.
- The cumulative effect of this increase and the four previous increases since September 1976 is a price increase for finished steel of 12.4 percent. This is an acceleration from the 9.9 percent rate of steel price increases during the previous year.
- The 12.4 percent rate of steel price increase also contrasts sharply with the 7.2 percent rate of increase in industrial prices generally.

### II. Conditions in the Steel Industry

- Demand for steel products is weak. Capacity utilization in the steel industry has declined sharply this year, and stands presently at 78.5 percent. Shipments of structural steel in the first five months of 1977 were 45 percent below the 1974 peak levels, and shipments of tin mill products were 17 percent below 1974 levels. Weak demand for structural shapes reflects the depressed level of nonresidential construction activity.
- Production costs have increased. Costs have increased more rapidly in the steel industry than in the rest of the economy. Costs per unit of output were 10.2 percent above year earlier levels during the first quarter of 1977. The new collective bargaining agreement which takes effect on August 1, will raise unit labor costs an estimated 10 percent in the first year it is in effect. Labor costs represent about 40 percent of total steel production costs. However, much of the anticipated labor cost increase was reflected in the general steel price increase of June 1977.



LANCE ATTACHMENT



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUL 20 1977

MEMORANDUM FOR THE PRESIDENT

From: Bert Lance *gm*  
Subject: Charlie Schultze Memo, Response to  
Steel Price Increases

I concur in the recommendation of the memo that no direct actions be taken to attempt to reverse the recent increase in the prices of structural steel and tin mill products.

However, the memo does not refer to the recent discussion of steel by the Economic Policy Group or the informal OECD meeting, which was held July 20 - 21, to discuss the international steel market. As Bob Strauss' memo for the Economic Policy Group meeting noted, the domestic steel industry will be pressing very hard for protection from international competition, particularly price competition. *no*

If our anti-inflation program is to have any chance of success, we must rely heavily on the assistance that we get from international competition. In whatever talks may be held with the steel industry, the point should be made that domestic price increases at the present time will reduce the chances of the Government ever acquiescing in protection for the steel industry.

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for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

Date: July 27, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat *attached*  
Hamilton Jordan *AC*  
Bob Lipshutz  
Frank Moore Zbig Brzezinski  
Jack Watson  
Bert Lance

FOR INFORMATION:

*concur's  
imply*  
The Vice President  
Jody Powell  
Bob Strauss

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Charlie Schultze memo dated 7/27/77 re Response to  
Steel Price Increases

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Friday

DATE: July 29, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



Date: July 27, 1977

MEMORANDUM

## FOR ACTION:

Stu Eizenstat  
Hamilton Jordan  
~~Bob Lipshutz~~  
Frank Moore      Zbig Brzezinski  
Jack Watson  
Bert Lance

## FOR INFORMATION:

The Vice President  
Jody Powell  
Bob Strauss

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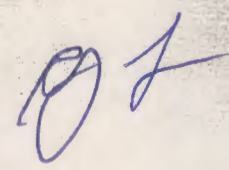
☒ Your comments

Other:

## STAFF RESPONSE:

☐ I concur.

Please note other comments below:

☒ No comment.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

7/29/77

MEMORANDUM FOR: RICK HUTCHESON  
FROM: *Christine Dodson*  
CHRISTINE DODSON *for*  
SUBJECT: Charlie Schultze Memo dated  
7/27/77 re Response to Steel  
Price Increases

This is to note that the National Security Council has no objection to the outlines and evaluations made by Mr. Schultze in his memo to the President on the above subject.

THE WHITE HOUSE  
WASHINGTON

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<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	<input type="checkbox"/>	EIZENSTAT
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<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	POWELL
<input checked="" type="checkbox"/>	<input type="checkbox"/>	WATSON
<input checked="" type="checkbox"/>	<input type="checkbox"/>	LANCE
<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

<input type="checkbox"/>	ARAGON
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<input type="checkbox"/>	KING

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input checked="" type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN



70  
Date: July 27, 1977

MEMORANDUM

## FOR ACTION:

Stu Eizenstat  
Hamilton Jordan  
Bob Lipshutz  
Frank Moore      Zbig Brzezinski  
Jack Watson  
Bert Lance

## FOR INFORMATION:

The Vice President  
Jody Powell  
Bob Strauss

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TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Friday

DATE: July 29, 1977

## ACTION REQUESTED:

☒ Your comments

Other:

## STAFF RESPONSE:

☐ I concur.☒ No comment.*Please note other comments below:***PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

July 27, 1977

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze <sup>CCS</sup>  
Subject: Response to Steel Price Increases

This memo outlines and evaluates a range of possible responses by you to the recent price increases on structural steel (6 percent) and tin mill products (7 percent). A brief appendix provides a summary of the price increases and a rundown of market conditions in the steel industry.

The U.S. Steel announcement has been followed by a similar announcement from Bethlehem (the number two company in the industry) and two smaller companies. I have subsequently met with the Presidents of National Steel and Jones and Laughlin, and talked by phone with Inland and Kaiser.

My best judgment is that the tin mill product increases will go into effect industry-wide. It is possible, however, that a number of companies will not raise prices on structural steel because of weak demand for structural products.

Options For Your Response

If you wish to react further to these price increases, you may choose between two approaches. One route is to take direct action that affects the steel industry in the market place. The other involves indirect actions aimed not so much at the rolling back of the latest price increases as at sending out messages on future inflationary actions.

Direct Government Actions

You can directly affect marketing conditions for steel by reducing trade protection in one of two ways:

- You can reduce, but not eliminate, the preference U.S. steel producers enjoy over foreign producers in bidding for government contracts. U.S. producers



receive a "Buy American" price preference of 6 percent, and in some cases 12 percent, in general government procurement, and 50 percent in defense procurement.

- You can reduce tariffs now in effect on steel products, but only as part of individual trade agreements with other countries. Tariffs on steel products are in the range of 6 to 7-1/2 percent.

Both of these options suffer from a number of drawbacks:

- Neither action would have a major impact on the industry. But either would appear to be a punitive response, rather than a well-thought out policy decision.
- By focusing attention in international trade, reduced protection could motivate the steelworkers union to support the companies in public because of their concern for the potential employment impact of lower trade restrictions.
- Unilateral reductions in tariffs or "Buy American" preferences would reduce our negotiating leverage in the Multilateral Trade Negotiations. This could also lead to criticism in the Congress.

You also can direct GSA and the Defense Department to remind government purchasing agents of their obligation to seek the lowest available prices. This requirement is supposed to be followed in any case. The action will have little impact unless a split market price develops for a particular steel product. Emphasis on the requirement would reinforce our earlier statements, however.

#### Actions Not Directly Affecting the Market

It is possible, and in my view advisable, for the Administration to take a different response to these price increases. Two avenues are open:

- (1) You could meet personally with the Chief Executives of U.S. Steel and Bethlehem. The steel companies have acted already, and they are unlikely to respond positively to requests to rescind or reduce their increases. A direct request from you would create an atmosphere of confrontation that would leave the companies no graceful way to back down. Even if you did not directly urge a rollback, the press would



interpret the meeting as though it were pressure for a rollback, and play up the confrontation.

(2) You can order a study of these price actions, and make efforts to forestall spreading these price increases to other sectors. This strategy has two components:

- (a) You could direct the Council on Wage and Price Stability to study the latest price increases. CWPS could, using existing authority, obtain data from the steel companies on production costs, order backlogs and available capacity in specific product lines. CWPS could supply you with a report on the conditions in the industry that could provide the basis for further comments about the industry's pricing policies. (If you approve, we will immediately draft a directive to CWPS from you.)
- (b) The Administration can call in automobile manufacturers prior to the announcement of prices on their 1978 models to urge restraint in auto price increases. These meetings could be initiated by Barry Bosworth at CWPS. If necessary, the meetings could later be escalated to higher levels. Auto prices are the next big area of action, and, in any event we should do this.

I recommend that you follow this last, two-fold, option.

#### Longer-Term Policy

I believe we should simultaneously move on two fronts in dealing with private wage and price increases. On one hand, we should move ahead with our negotiations with the Labor-Management Committee to develop mechanisms to deal with private wage and price decisions. It could be fruitful to meet separately with George Meany, and with Reg Jones, plus one or two colleagues in each case, to pursue the matter, rather than dealing solely with the full Labor-Management Committee.

The second prong of our program should be our willingness to make public, if necessary, our views about egregiously inflationary price or wage actions. The occasion, and the tenor of our comments, should be chosen carefully so that

they do not escalate into an unwarranted confrontation. At the same time, we can begin to get across our notions of what responsible wage and price behavior ought to look like.

Attachment



## APPENDIX

### I. Facts About the Price Increase

- U.S. Steel and Bethlehem Steel have announced price increases, effective in September, of 7 percent for tin mill products used in metal containers and 6 percent for structural steel. Armco and Wheeling Pittsburgh have followed the tin mill increase. Indications are that the tin mill price hike will spread industry-wide. There is some question whether the structural steel increase will stick.
- The cumulative effect of this increase and the four previous increases since September 1976 is a price increase for finished steel of 12.4 percent. This is an acceleration from the 9.9 percent rate of steel price increases during the previous year.
- The 12.4 percent rate of steel price increase also contrasts sharply with the 7.2 percent rate of increase in industrial prices generally.

### II. Conditions in the Steel Industry

- Demand for steel products is weak. Capacity utilization in the steel industry has declined sharply this year, and stands presently at 78.5 percent. Shipments of structural steel in the first five months of 1977 were 45 percent below the 1974 peak levels, and shipments of tin mill products were 17 percent below 1974 levels. Weak demand for structural shapes reflects the depressed level of nonresidential construction activity.
- Production costs have increased. Costs have increased more rapidly in the steel industry than in the rest of the economy. Costs per unit of output were 10.2 percent above year earlier levels during the first quarter of 1977. The new collective bargaining agreement which takes effect on August 1, will raise unit labor costs an estimated 10 percent in the first year it is in effect. Labor costs represent about 40 percent of total steel production costs. However, much of the anticipated labor cost increase was reflected in the general steel price increase of June 1977.

THE WHITE HOUSE  
WASHINGTON

7/28

Rich -

This is the same  
Subject as the  
Schultz memo  
now in circulation.  
Stu is writing  
Comments on  
both, and both  
should go in together.  
Jane F.

THE WHITE HOUSE  
WASHINGTON

July 28, 1977

The Vice President  
Stu Eizenstat  
Hamilton Jordan  
Bob Lipshutz  
Frank Moore  
Jody Powell  
Jack Watson  
Bert Lance  
Charlie Schultze  
Zbig Brzezinski

The attached is for your information.  
It will be submitted to the President  
along with the 7/27/77 Schultze memo  
on the same subject.

Rick Hutcheson

RE: RELATION OF TRADE POLICY TO STEEL  
PRICE INCREASES



THE WHITE HOUSE  
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input checked="" type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION  
FYI

*Note: The attached will be submitted to the Press along with the 7-27-77 Schultze memo on the same subject*

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<input checked="" type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
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<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to	
Carp/Huron within	
48 hours; due to	
Staff Secretary	
next day	

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<input type="checkbox"/>	WARREN

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS  
WASHINGTON

JUL 25 1977

MEMORANDUM FOR THE PRESIDENT

FROM : Robert S. Strauss

SUBJECT: Relation of Trade Policy to Steel Price Increases

Recently announced increases in prices of certain steel products effective in September, 1977 are a cause for concern in terms of our objective of keeping down the U.S. economy's inflation rate. The Council on Wage and Price Stability is in a better position to advise you on the question of whether these increases are justified given present production costs and are likely to stick given market conditions. I wanted to outline for you briefly the situation in the trade policy area, because trade policy might be considered by some as a lever to roll back steel price increases.

Current Situation

Foreign supplies of steel in the U.S. market now have easy access to the U.S. market, facing only low tariffs (average of 5-6 percent), quotas on specialty steels (representing less than two percent of U.S. steel market volume), and the U.S. Government "Buy America" preferences for U.S. producers vis-a-vis foreign producers. There is substantial excess capacity abroad and strong interest in the U.S. steel market. The Japanese continue to sell aggressively and the Europeans have been very active in recent months after experiencing significant volume losses in the U.S. market last year.

The three basic types of actions you might be asked to consider in the trade policy area are: (1) tariff reductions, (2) removal of specialty steel quotas, and (3) reduction of the "Buy America" preference.

Tariff Reductions

Under the Trade Act authority you may reduce tariffs through a trade agreement with another country. It will be relatively easy to negotiate such an agreement, however, unless there were reciprocal benefits to the United States we would be under serious criticism by the Congress for giving up negotiating leverage in the multilateral trade negotiations.

A second authority you could use to reduce steel tariffs is the Generalized System of Preferences (GSP), under which

developing countries may import duty-free. Few steel products are now on GSP and your authority to add others to the list is limited by a Trade Act requirement that "import sensitive steel articles" not be certified as eligible for GSP.

As tariffs are not an important barrier to foreign steel suppliers in the U.S. market there would be little practical effect from reductions and expansion of GSP. Further, there is already some indication of illegal dumping in the U.S. market by foreign producers which might be encouraged by such actions.

#### Specialty Steel Quotas

The specialty steel quotas also have little impact on U.S. steel imports as they cover less than two percent of the total. In order to loosen these quotas you would have to have advice from the U.S. International Trade Commission (which we requested in May) so it will be several months before you can take any action.

#### "Buy America" Preferences

U.S. steel producers (as well as other U.S. producers) now have a basic six percent price preference over foreign suppliers (12 percent in some cases) in U.S. Government procurement and a 50 percent preference in Department of Defense procurement. You could reduce these preferences, but not eliminate them. Government purchases of steel mill products are a relatively small portion of the U.S. steel market. Such reductions would reduce our negotiating leverage in the MTN, by showing how easily such preferences can be modified. They would also create problems in the Congress particularly if steel products alone are singled out for reduced preferences.

#### Other Possibilities

Short of any of the explicit actions above you might consider either a public statement or private communication to the steel industry regarding the Administration's view on steel trade policy. The industry is currently lobbying vigorously in the Executive Branch and plans shortly to go to the Hill to seek solutions to its import problems (i.e. quantitative restrictions). Its leaders are very concerned about the impact of imports and have been trying for years to generate support in the U.S. Government for a system like the Multi-Fiber Agreement (MFA).

Within the Administration, considerable effort is being expended on analysis of the steel industry's trade problems and assessment of possible policy approaches. The seriousness and intensity of that effort is a matter of some interest to the steel industry. Negative signals from the Admin-



istration (e.g. the industry must not be hurting all that much if it can raise prices so we are not going to be concerned about its import problem) might cause the industry to reconsider its recent pricing moves. (NOTE: We have already publically indicated opposition to quantitative restrictions on steel imports.) The disadvantage of this approach is, particularly in the event prices are not rolled back, that it runs the risk of forcing a confrontation with the industry on trade policy. Such a confrontation could seriously threaten the MTN. For this reason, if this approach were used, a private communication would be preferable to a public statement.

### Assessment

Trade policy actions provided a symbolic response but little real impact in regard to steel price increases. There are serious disadvantages to reducing tariffs, changing "Buy America" practices, or eliminating specialty steel quotas to bring about price roll backs. Domestic steel price increases probably do more to stimulate imports into the U.S. market than any of these actions and imports are the most effective check on such price increases.

The "negative signal" approach through private communication to industry leaders might be effective if the recent increases seem unwarranted, however, there are serious risks of forcing confrontation with industry on trade policy. Certainly, the Administration's opposition to quantitative restrictions on steel imports deserves further emphasis in light of our inflation concerns.

THE WHITE HOUSE  
WASHINGTON

August 1, 1977

Hugh Carter -

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

Re: Weekly Mail Report

THE PRESIDENT HAS SEEN.

Electrostatic Copy Made  
for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

Week Ending 7/29/77

5

MEMORANDUM FOR THE PRESIDENT

FROM:

HUGH CARTER *HC*

SUBJECT:

Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

<u>INCOMING</u>	<u>WEEK ENDING 7/22</u>	<u>WEEK ENDING 7/29</u>
Presidential	27,840	27,720
First Lady	1,650	1,590
Amy	520	430
<u>Other First Family</u>	<u>90</u>	<u>110</u>
TOTAL	30,100	29,850
 <u>BACKLOG</u>		
Presidential	4,250	4,300
First Lady	470	407
Amy	0	50
<u>Other</u>	<u>50</u>	<u>100</u>
TOTAL	4,770	4,857

DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED

Agency Referrals	52%	48%
WH Correspondence	22%	25%
Direct File	15%	15%
White House Staff	7%	10%
<u>Other</u>	<u>4%</u>	<u>2%</u>
TOTAL	100%	100%

NOT INCLUDED ABOVE

Form Letters and Post Cards	26,410	22,800
Mail Addressed to WH Staff	12,862	16,400

cc: Senior Staff



MAJOR ISSUES IN  
CURRENT PRESIDENTIAL ADULT MAIL  
Week Ending 7/29/77

ISSUES	PRO	CON	COMMENT ONLY	NUMBERS OF LETTERS IN SAMPLES
Pres.'s Position re: Federal Funds for Abortion (Press Conference 7/12/77)	54%	46%	0	1,443
Support for Neutron Bomb	3%	97%	0	728
Support for Andrew Young	0	100%	0	553
Support for Amnesty for Illegal Aliens	2%	98%	0	349
Establish Separate Cabinet Level Department of Education (1)	100%	0	0	214
Retention of Capital Gains Taxes (2)	100%	0	0	174
Support for Alton, Illinois Lock and Dam Projects	20%	80%	0	167
OMB Proposed Shift of Federal Housing Subsidies From HUD to HEW (3)	0	92%	8%	158
Appointment of Postmaster General by President with Senate Approval, Eliminating Board of Governors (4)	100%	0	0	113
TOTAL IN SAMPLE				3,899

(See Notes Attached)

## NOTES TO MAJOR ISSUE TALLY

### 1. ESTABLISHMENT OF CABINET LEVEL DEPARTMENT OF EDUCATION:

The letters are from National Educational Association officials and members, educators, and citizens who say formal education deserves Cabinet level leadership.

### 2. CAPITAL GAINS TAX:

Businessmen, investors, and workers associated with timber growing and harvesting contend that without this tax incentive the rate of return on timber growing would be too low to make capital investment worthwhile. They also claim that a reduction in tax incentives would reduce jobs.

### 3. SHIFTING HOUSING SUBSIDIES FROM HUD TO HEW:

Many area housing authority officials say the proposed cut of federally assisted housing in favor of an increase in cash subsidies to welfare recipients would result in "dire distress" to low income families, citing the poor record of welfare housing payments.

Others argue that the transfer would mean people not on welfare, who desperately need assistance, would be ignored.

### 4. PRO APPOINTED POSTMASTER GENERAL:

These are mostly mailgrams and telegrams, and at least half of them are from Postmasters.

THE PRESIDENT HAS SEEN.

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS  
WASHINGTON

Electrostatic Copy Made  
for Preservation Purposes

July 29, 1977 JUL 29 PM 2 07

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Robert S. Strauss

Subject: Weekly Summary

This has been a good week for world trade. We have succeeded in moving the Multifiber Textile Agreement toward renewal. We have gotten the acceptance of over 80 countries to our timetable for rapid progress in agriculture in the multilateral trade negotiations. And not least, the Courts have supported the Executive Branch in the Zenith case which challenged practically every country's existing tax practices.

This week the more than 80 countries engaged in the Tokyo Round of trade talks met in a Group Agriculture session in Geneva and formally adopted the timetable and procedures that we previously proposed in Brussels on July 11. Possibly we may have seized the right moment to unblock the negotiations which have been deadlocked for several years. There is now reason for cautious optimism that we can find common solutions to a substantial number of our trade problems. The reason I say "cautious" is because I do not underestimate the difficulties in completing an agreement and getting it through Congress.

We have just completed a series of intensive bilateral talks led by Alan Wolff with the Nordic countries, the key members of the Common Market, the Mexicans, the Swiss, the Canadiens, and the New Zealanders to engage them fully in this effort. Mike and Cy's contacts with finance ministers and foreign ministers will be particularly important during the coming months.

With the textile situation reasonably in control, the trade talks moving, and the threat of countervailing action against foreign tax practices removed for the time being, I am feeling better about the ability of this office to attain the goals you would desire.

I am dictating this long distance from a little out-of-the-way spot on the beach at Del Mar, California, where I arrived yesterday. Twenty-four hours in a small beach cottage with Helen, two children, and three grandchildren makes Washington seem more attractive than when I left it. Camp David it isn't!



Housing costs have increased so sharply that the Bureau of the Census must redesign several of its housing sales-price charts -- dropping the lower categories to make space at the top for ever-higher prices. Fourteen years ago, it reported ninety-two percent of new houses built for speculation were selling for less than \$30,000. Today, only six percent are sold for less than this amount, while thirty percent sell for at least \$60,000. As a result, the Bureau is increasing its lower price limit up to \$35,000 in order to allow for the above-\$60,000 houses, which now account for more sales than the Bureau's other five price categories combined.

Rehabilitation Task Force. In support of the Department's Rehabilitation Task Force chaired by Community Planning and Development, the Office of Policy Development and Research has prepared a special analysis of Annual Housing Survey data to estimate housing rehabilitation needs by location (center city, suburban, non-metropolitan), age and size of structure, and household income. Analysis of the data will help the group identify gaps in the Department's rehabilitation programs. Preliminary review indicates that the greatest concentration of the estimated 4,712,870 units nationwide needing rehabilitation is in non-metropolitan housing of all sizes built in 1939 or earlier, where the household income is less than \$10,000. The second largest need is among one- to four-unit structures in center cities.

CDBG Fund Cutoff. The Department was forced to cut off community development block grant funds to Staunton, Virginia because the city failed to provide substantial housing assistance for low-income and large families. As of this date, HUD has received 1,313 CDBG entitlement applications from cities and urban counties for Fiscal Year 1977 funding, of which 1,125 have been approved so far; six applications have been disapproved.

ZBB Week. As we reported to you at our meeting on Wednesday, this week was Zero Base Budgeting Week at HUD. All of the Department's Presidential appointees, as well as a significant number of the Department's career managers, devoted this week to a zero base analysis of the Department's budget proposals for FY 1979.

*Pat*

Patricia Roberts Harris